

Missouri Rice Council  
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## Preface

- Thank you for holding these listening sessions and for the opportunity to express our views.
- U.S. farm policy must provide a stabilizing balance to markets and a reliable planning horizon for producers.
- With rice producers being severely impacted by interventionist policies enacted by foreign governments, stability and reliability must be bedrock features of the nation's farm policy.
- A federal farm policy that continues a nearly century-long practice of protecting producers against low market prices, while maintaining an abundant, affordable and stable food supply for consumers, is essential.
- A nation with a sound agricultural policy and an abundant, stable food supply helps to secure its citizens. For this nation and its citizens, food security is as compelling a national resource as are energy and military security.
- For the typical family farm that produces rice, economic survival is dependant upon a number of factors:
  - Critical to have effective farm program such as the Farm Security and Rural Investment Act of 2002 that provides basic support through marketing loan eligibility for all production and income support through counter-cyclical and direct payments;
  - Just as critical for rice operations of all sizes is maintaining eligibility for farm program benefits;
  - Develop and expand global markets for crop off-take.

## 1. Achieving Maximum Effective U.S. Competitiveness in Global Markets

- More and more trade policy and farm policy are tied together, which makes it important for USDA and USTR to ensure that trade agreements are fair, transparent and enforceable.

- ~~The~~ Administration must not unilaterally reduce or eliminate our farm programs without getting other countries to lower or eliminate their support in a like manner.
- Any reductions in our farm programs must be linked with meaningful and significant market access in other countries so that U.S. producers have a level playing field upon which to compete.
- Federal trade law, as declared by Congress, must be implemented as Congress intended.
- In general, Congress has written trade law and, in addition, authorized market development programs to maximize U.S. agricultural competitiveness in global markets.
- For these laws to achieve their desired, expressed goals, they must be allowed to operate as Congressional law has declared.
- For the U.S. rice industry, the removal of unfair, legally questionable foreign interventionist practices and highly-protective tariff and non-tariff trade barriers are essential for the U.S. industry to be competitive.
- In addition, it is important to understand that another obstacle to a globally-competitive U.S. rice industry is the imposition of trade sanctions by the U.S. government.
- Perhaps the greatest loss of U.S. rice sales derives directly from US actions: trade sanctions that we happen to impose on some of the largest rice markets in the world. Several points are worth noting:
  - Foreign competitors have continued to supply rice to our former customers, effectively circumventing U.S. embargoes. At the same time, the dependability of the U.S. rice industry as a reliable supplier has come into question.
  - The U.S. industry has been severely damaged by U.S. government trade sanctions imposed on Cuba, Iran and Iraq. All three countries were key markets for U.S. rice at the time sanctions were imposed and access for U.S. rice denied. These embargoed countries were clearly not hurt by their inability to obtain rice from the United States; they simply turned to other sources that directly compete with U.S. producers. Hence, only the U.S. rice industry was damaged.
  - In 1962, the United States imposed sanctions on Cuba, the largest market for US rice at that time and one that the US has a clear geographic advantage in supplying. Recent industry estimates suggest Cuba imports more than

600,000 tons of rice annually, and while the US has recently made some headway in regaining some of this market, its long term potential remains threatened by existing sanctions and recent efforts to tighten export restrictions of food to Cuba allowed under existing legislation. On July 29, 2005, the U.S. Treasury Department clarified its rule governing U.S. agricultural trade with Cuba. The clarification can be viewed as a small but positive step in helping to restore the reputation of U.S. agriculture as a reliable supplier. However, legislation still is needed to remove the current restrictive rule that unnecessarily and unfairly over regulates U.S. agricultural trade with Cuba.

- In 1990, the United States imposed trade sanctions on Iraq. For about 5 years prior to that time, Iraq was the largest market for U.S. rice, accounting annually for about 20% of total U.S. rice exports. In 1989, Iraq imported about 392 thousand metric tons from the United States, valued at about \$130 million. In years subsequent to the embargo, Iraq's rice imports continued to grow, supplied entirely by our direct competitors.
- In 1995, a trade embargo was imposed on Iran. In that year, Iran imported about 219,000 metric tons from the United States, valued at \$73 million, making it one of the top 10 U.S. rice export markets. Iran consistently ranks as the number 1 or 2 rice-importing nation in the world, and remains a market essentially off limits to U.S. producers.

## **2. Addressing Unintended Consequences**

- As you know, rice farms require significant capital investments to operate. We urge you to consider how reduced payment limitations would harm family farm operations in the rice growing regions and other parts of the country, making it difficult for future generations to return to the family farm.
- The 2002 Farm Act is vital to the livelihood of rice farmers and our industry appreciates the commitment that has been made by Congress to ensure a sustained domestic food supply.
- We urge you and the Administration to carefully review how well the current Farm Act is working for U.S. agriculture and consider ways to maintain the current Farm Act's structure as we go forward to begin debate on the 2007 bill.
- Our industry supports maintaining consistency in policy with the current farm act as we move into debate on the 2007 farm bill.
- Key distinctions must be made about unintended consequences not discouraging new and next-generation farmers:
  - First, Congress writes farm policy. Generally, Congress expresses its statutory intentions fairly explicitly and directly.

- *Second, unintended consequences can and do occur in the implementation of Congressional policy by the Executive Branch of government.*
- To help reduce unintended consequences from occurring in the first place, the Executive Branch must implement farm law as Congress intended and for the full time period that the law has been authorized.
- As important, the Executive Branch must send annual budgets to Congress that propose meaningful, effective funding levels to implement the U.S. Department of Agriculture's authorized discretionary and mandatory farm programs.

### **3. Effectively and Fairly Distributing Assistance to Producers**

- USDA has administered various price-and-income support programs for rice farmers for decades, and the 2002 Farm Act continues to provide rice producers with a safety net based on direct payments, counter-cyclical payments, and marketing loan benefits.
- Price and income support programs are useful only to the extent that they help farmers cover production costs and therefore minimize income losses.
- When prices are low, commodities with high costs of production should be expected to receive relatively higher payments from the government for an equivalent level of income protection or risk reduction.
- Production of rice is quite costly. It requires irrigation for efficient production, and significant application of other production inputs.
- Adjustments were made in the 2002 Farm Act to better align protections among crops, and marketing loan levels were raised for all major crops except soybeans (which was lowered modestly) and rice (which has maintained the same loan rate since 1989).
- However, since the extent to which the marketing loan covers variable costs of production depends on yields and costs as well as price guarantees, protection levels continue to adjust.
- The 2002 Farm Act—including the rice provisions—continued the emphasis on decoupled income support, while modestly strengthening the safety net intended to protect against severe financial stress.
- In 1999, global rice prices fell to their lowest levels in at least 15 years in the wake of expanded world supplies and stagnant demand.
- The 2002 Farm Act did not have a substantial impact on the level of government support provided to rice farmers:

- The loan rate, at \$6.50/cwt, remained unchanged and has been frozen at the current level since 1989 despite a steady increase in the cost of production.
- While direct payment rates were increased marginally (from \$2.05/cwt at the end of the 1996 Farm Act to \$2.35 under the 2002 Farm Act), the counter-cyclical program effectively took the place of ad-hoc market loss assistance provided in the late 1990's while the 1996 Farm Act was still active.
- The target price of \$10.50/cwt on which the 2002 Farm Act counter-cyclical program is based is actually lower than the target price of \$10.71 used under the 1990 Farm Act (the 1996 Farm Act contained no provisions for a target price). It is substantially below the average target prices administered in either the 1981 or the 1985 Farm Acts.
- Prices for rice are influenced by world market conditions, but nevertheless local supply and demand conditions still play an important role in determining farm prices.
- Since at least the mid-1990s the rice stocks-to-use ratio has followed the expected relationship of rising in periods of low prices, and falling as prices improve. This outcome is the direct result of the current policy that puts marketing and production decision squarely in the hands of farmers, and allows the market to clear by adjusting supplies to match market demand.

#### **4. Achieving Conservation and Environmental Goals**

- Rice farming is one of the agricultural activities where a positive impact on the environment is largely undisputed.
- Rice farming is increasingly viewed as providing a counterbalance to the many forces that have contributed to environmental degradation over past centuries.
- For instance, all of the major areas of rice production in the United States correspond with important areas of waterfowl nesting during winter months. Loss of natural wetland habitat in many of these areas has threatened migratory bird patterns and might have contributed to a long-term decline in waterfowl populations that was evident through the early 1980's.
- However, waterfowl populations in key rice producing regions have reversed their decline and began to show impressive growth in the last two decades, as flooded rice fields provide attractive alternative habits to natural wetlands lost through commercial development or other means.

- All major rice-growing areas also provide surrogate habitats for hundreds of species of reptiles, snakes, insects and amphibians that rely on wetland conditions for species survival. Many of these species are currently or would otherwise be endangered if not for the wetland environments provided by flooded rice fields.
- These widely noted environmental benefits accrue not only to current and future generations of wildlife enthusiasts, but also produce economic benefits that support recreational industries and, ultimately, local economies.
- It is clear that taking rice acreage out of production in favor of other crops would eliminate the environmental benefits of wetland creation and habitat protection.
- The clear and undisputed benefits of rice production makes it rank among the top of all agricultural systems in terms of a positive environmental impact.
- Congress has authorized a number of agricultural conservation and environmental programs. Whether more or fewer such programs are needed is a decision that Congress will make in the next farm bill.
- Regardless of Congress' decision about how many agricultural conservation and environmental programs are needed, it is vital to the nation as a whole that the programs that become law are based on sound, tested scientific principles and are user friendly and not overly burdensome with regulations.
- In addition, these programs must have increased numbers of trained, knowledgeable personnel who receive increased operations funding to implement them.
- Annual Administration budgets for these program personnel and their resources need to be sent to Congress at levels that will achieve effective farm conservation.
- An example of a working lands conservation program is the Conservation Security Program (CSP):
  - CSP provides both environmental and economic benefits, as well as wildlife benefits, to producers without removing farmland from production.
  - CSP is an agricultural conservation program that is a win for the environment, producers, wildlife, and the local economy.

##### **5. Federal Rural and Farm Programs to Provide Effective Assistance in Rural Areas**

- Farm programs deliver benefits to producers in rural areas who in turn support the local economy by purchasing inputs and marketing crops locally.

# THE HISTORY OF THE CITY OF BOSTON

The city of Boston, situated on a peninsula in the State of Massachusetts, is one of the most important and populous cities in the United States. It is the seat of government for the Commonwealth, and the center of commerce and industry for the New England region. The city's history is rich and varied, spanning over three centuries.

The city was founded in 1630 by a group of Puritan settlers who sought religious freedom and a better life. They established a colony on the eastern shore of the harbor, which grew rapidly as more settlers arrived. The city's early years were marked by hardship and conflict, but it eventually became a thriving center of commerce and industry.

Throughout its history, Boston has been a center of political and social activity. It was the site of the Boston Tea Party in 1773, a key event in the American Revolution. The city was also the center of the abolitionist movement in the 19th century, and the site of the Boston Massacre in 1806.

In the 20th century, Boston has continued to grow and evolve. It has become a major center of education, with several prestigious universities located in the city. It is also a hub for technology and innovation, with many leading companies and startups based in the area.

Boston's history is a testament to the resilience and spirit of its people. From its early days as a Puritan colony to its current status as a major world city, Boston has always been a place of opportunity and growth. Its rich history and vibrant culture make it a unique and exciting place to live and visit.

The city's location on a peninsula in the harbor provides a natural defense and a strategic advantage. This has made Boston a key location for military and naval operations throughout its history. The city's proximity to the water also makes it a major center for trade and commerce.

- Third, the Congress and the Executive Branch must substantiate their belief in a research and development partnership through shared financing, personnel, and related resources.
- Fourth, the states, academia, agribusiness, and producers must continue to commit themselves and their financial and other resources to national-level research and development together with the federal government.

### Conclusion

- Rice producers are proud:
  - to contribute a highly-nutritious food product for the nation;
  - of their contributions to the nation's food security;
  - of their contributions to the local, state, and national economies and the nation's balance of trade;
  - of the contributions they make to conservation and the environment.
- Rice producers call on Congress and the Bush Administration to continue sound, fair agricultural policies in the next farm bill, including those policies in the current farm act, that help to provide:
  - producers with stability and reliability;
  - and consumers with an abundant, affordable, stable, and secure food supply.
- Finally, rice producers look forward to working with Congress and the Administration in the development, adoption, and enactment of a sound, equitable farm bill and rice program.

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